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Report Highlights:

Nigeria is expected to become the number one market for U.S. wheat this year. Nigeria's wheat imports are forecast at 4.3 million tons in MY2006/07, with the U.S. having close to 90 percent market share. The sustained increase in wheat imports is fueled by rapid growth in bread, pasta and biscuit consumption and cross-border trade with neighboring countries. Rice production is increasing but continues to lag behind demand by about two million tons annually. The GON's protective duty of 100 percent on rice is encouraging large-scale smuggling. Despite recent efforts by the GON to liberalize and harmonize its import tariffs within the framework of the ECOWAS Common External Tariffs, imports of corn and sorghum remain banned.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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TABLE OF CONTENTS

| | |
|--------------------------------|-----------|
| EXECUTIVE SUMMARY | 3 |
| WHEAT | 4 |
| PSD TABLE: WHEAT | 4 |
| PRODUCTION..... | 4 |
| CONSUMPTION..... | 4 |
| TRADE..... | 5 |
| STOCKS | 5 |
| POLICY..... | 5 |
| TRADE MATRIX..... | 6 |
| RICE | 7 |
| PRODUCTION..... | 7 |
| CONSUMPTION..... | 7 |
| TRADE..... | 7 |
| MARKETING..... | 8 |
| CORN | 9 |
| PRODUCTION..... | 9 |
| CONSUMPTION..... | 9 |
| TRADE..... | 10 |
| SORGHUM | 11 |
| PRODUCTION..... | 11 |
| CONSUMPTION..... | 11 |
| TRADE..... | 11 |

Executive Summary

Post forecasts Nigeria's overall wheat imports in MY2006/07 at 4.3 million tons, up from 3.8 million tons this year. The U.S. is expected to have a dominant share of about 3.8 million tons, up from 3.3 million tons in MY2005/06. Wheat imports are increasing due to increased consumption of bread, pasta, biscuit products and informal cross-border exports. Since 1995, per capita wheat consumption in Nigeria has more than tripled from six kilograms to 20 kilograms in 2005. New mills are being established, while existing millers are making sizeable capital investments in new milling capacity to meet future demand. Bakery operations in the country are being modernized and expanded to satisfy growing demand especially for bread. Nigeria is a growth market and in MY2005/06 is expected to become the world's largest importer of US wheat and the world's leading importer of HRW for the fourth consecutive year.

The GON has directed that millers should include ten percent cassava in wheat flour by July 1, 2006 or be forced to close down. Although the millers are prepared to commence implementation, at present, industry grade cassava flour is not readily available in the country. Given the enormous resources required to increase cassava production and to upgrade processing facilities, it is unlikely that flour millers will meet the deadline. In the meantime, millers have responded to the challenge by jointly establishing a 500 million Naira (\$3.9 million) empowerment fund to encourage cassava growers and processors. Industry sources have revealed that the new requirement would not affect growth in wheat imports in MY2006/07.

Domestic rice production continues to trend upward due largely to incentives available to farmers under Presidential Initiative on Rice. The initiative is part of GON's efforts aimed at achieving self-sufficiency in rice production. Also, farmers are protected by the 100 percent duty on rice imports. Despite the high duty, rice imports continue to rise because local output is inadequate. The high duty on rice is encouraging large-scale cross border smuggling.

Nigeria's aggregate grain production in MY2006/07 is forecast to increase five percent. The forecast is based on the timely arrival of rains in the grain belt. The GON is promoting increased food production in the country through a number of new initiatives, namely; the National Special Program for Food Security, Presidential Initiative on Rice and the Fadama II project (irrigation farming). These programs are designed to improve farmers' productivity and income.

Field visits to northern grain production zones revealed that despite some benefits from these initiatives, Nigerian farmers continue to face the dual problems of low productivity due to lack of basic farm inputs and the absence of a buyer of last resort. Scarcity and high prices of organic fertilizers continues to limit utilization. The average retail price of a 50-kilogram bag of NPK increased to 3,500 Naira in 2005, up from an average of 3,000 Naira a year earlier. The absence of a buyer of last resort mechanism leaves farmers at the mercy of Nigeria's highly volatile market environment. The ratio of extension agents to farmers in the country is estimated at 1: 3000, thus making the transfer of technology to farmers difficult.

Although figures are not readily available, a significant quantity of grains is exported informally in cross-border trade, especially with Niger Republic. A spot visit to the Dawanou International Grains market in northern commercial city of Kano revealed that a minimum of two (thirty ton) trailer loads of grains and other food items leave the market every week for Niger Republic.

Exchange Rate: US\$1 = 128 Naira

WHEAT

PSD Table: Wheat

| Nigeria Wheat | | | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 07/2004 | | 07/2005 | | 07/2006 | MM/YYYY |
| Area Harvested | 35 | 35 | 35 | 35 | 0 | 35 | (1000 HA) |
| Beginning Stocks | 200 | 200 | 200 | 200 | 200 | 200 | (1000 MT) |
| Production | 60 | 60 | 55 | 60 | 0 | 60 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 3014 | 3014 | 3900 | 3800 | 0 | 4300 | (1000 MT) |
| Jul-Jun Imports | 3014 | 3014 | 3900 | 3800 | 0 | 4300 | (1000 MT) |
| Jul-Jun Import U.S. | 2634 | 2634 | 0 | 3300 | 0 | 3800 | (1000 MT) |
| TOTAL SUPPLY | 3274 | 3274 | 4155 | 4060 | 200 | 4560 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jul-Jun Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Feed Dom. Consumption | 100 | 100 | 125 | 125 | 0 | 130 | (1000 MT) |
| TOTAL Dom. Consumption | 3074 | 3074 | 3955 | 3860 | 0 | 4360 | (1000 MT) |
| Ending Stocks | 200 | 200 | 200 | 200 | 0 | 200 | (1000 MT) |
| TOTAL DISTRIBUTION | 3274 | 3274 | 4155 | 4060 | 0 | 4560 | (1000 MT) |

Production

Nigeria's wheat production in 2006/07 is forecast at 60,000 tons, same as in 2005/06. Wheat production is not expected to expand significantly beyond this level due to local climatic conditions, which are not suitable for wheat production. Wheat is grown under irrigation in a few states in northern Nigeria.

Consumption

Nigeria's overall milling capacity is currently estimated at about 6.1 million tons, up from 4.0 million tons in 2002. Existing milling capacities are being upgraded and increased and new capacities are being added to meet growing demand. In 2005, a new investor commissioned a mill of 500 tons per day capacity. The investor is expected to commission another mill of 1,000 tons during 2006. Most of the expansion is for the production of bread flour, but some is for the growing domestic pasta industry and for crackers and biscuits. Following GON's import ban on biscuits, spaghetti and pasta in 2004, local production has expanded rapidly. Also, noodle consumption in Nigeria is showing steady growth, estimated at 5 percent annually, and is thought to be the equivalent of 100,000 MT of HRW. At present, there is only one producer of instant noodles in Nigeria, but other entrants are expected in the market in 2006. Clearly, imports of durum, HRW and soft wheat have increased to meet this rising demand.

Following the entrance of aggressive new millers in recent years, competition has become intense with respect to price and quality. A number of the mills now have their own in-house bakeries to provide market support for their products. Millers give inducements to retain customers' loyalty.

The baking industry in Nigeria is expanding with new investments in mechanized bakery equipment. One large bakery operates an automated plant in Lagos, the first of its kind in Nigeria. Medium to large-scale bakeries are also expanding outside Lagos. Bread is a staple item in the Nigerian breakfast and is eaten throughout the day as the convenience food of choice by the general public.

Wheat for feed use is forecast at 130,000 tons, up from 125,000 tons in 2005/06. Scarcity and high cost of corn is encouraging poultry feed producers to switch to soft wheat, mainly from Argentina and Kazakhstan.

Trade

Nigeria's overall wheat import volume in MY2006/07 is forecast at 4.3 million tons, up from 3.8 million tons in MY2005/06. The higher volume projected for MY2006/07 is primarily attributable to growth in bread consumption as well as increased pasta and biscuit production. At 3.3 million tons, the US accounts for close to 90 percent of all wheat exports to Nigeria. Nigeria also imported about 500,000 MT of wheat from other origins, mainly Canada, EU and Argentina.

Oil-rich Nigeria, Africa's most populous country, is a growth market and in MY2005/06 is expected to become the world's largest importer of all classes of U.S. wheat. Nigeria is also the world's leading importer of U.S. HRW for the fourth consecutive year. U.S. wheat exports to Nigeria in MY2005/06 increased by about 28 percent over the previous year. The rising level of U.S. wheat exports to Nigeria has also been helped by a relatively stable exchange rate, competitive wheat prices, high crude oil prices and modest economic growth. Industry sources indicate that U.S. wheat exports are likely to exceed 5 million tons within the next three years. Canada and Argentina are the principal competitors in this market.

Although data on informal wheat flour exports are not available, industry sources estimate that about 10 percent of all flour produced in the country is exported in informal cross-border trade with Niger, Chad and Cameroon.

Stocks

Stock estimates in this report are residuals of production, imports and consumption. Industry sources indicate that stock capacity can sustain milling operations for about a month.

Policy

Nigeria's wheat import tariff is five percent. Imported wheat also is subject to port surcharges (equal to seven percent of the duty value), and the GON's Combined Import Supervision Scheme fee, which is equivalent to one percent of FOB value. A five percent value added tax, is also applicable to wheat flour. Millers are required to fortify flour with vitamin A.

Effective July 1, 2006, the GON has directed that all flourmills must blend ten percent cassava into the flour to support local production. Industry grade cassava flour is not available in commercial quantity. However, in order to avert any punitive measure by the government, wheat

millers jointly responded to the challenge by establishing a \$3.9 million empowerment fund to encourage cassava growers and processors. Wheat millers have expressed concern that including ten percent cassava in flour would induce undesirable changes in color, odor and taste in bread. According to bakers, the inclusion of cassava would also reduce the shelf life of bread from five to two days. At present, millers are offering \$577 per ton to suppliers of cassava flour, compared to \$430 per ton for wheat flour.

Trade Matrix

Import

Trade

Matrix

Country Nigeria

Commodity Wheat

| | | | |
|-------------------|-----------|--------|-----------|
| Time Period | Jan-Dec | Units: | Tons |
| Imports for: | 2004 | | 2005 |
| U.S. | 2,330,543 | U.S. | 3,124,365 |
| Others | | Others | |
| Canada | 139,631 | | 192,000 |
| Argentina | 38,447 | | 135,000 |
| France | 5,400 | | 102,000 |
| Ukraine | 0 | | 46,635 |
| U.K | 12,290 | | |
| Poland | 27,500 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 223,268 | | 475,635 |
| Others not Listed | 5,100 | | 0 |
| Grand Total | 2558911 | | 3600000 |

Source: World Trade Atlas and Trade Sources

RICE

| Nigeria Rice, Milled | | | | | | | |
|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | USDA Official [Old] | Post Estimate [New] | |
| Market Year Begin | | 01/2004 | | 01/2005 | | 01/2006 | MM/YYYY |
| Area Harvested | 1850 | 1850 | 2000 | 2000 | 0 | 2005 | (1000 HA) |
| Beginning Stocks | 1001 | 1001 | 420 | 420 | 570 | 570 | (1000 MT) |
| Milled Production | 2300 | 2300 | 2700 | 2700 | 0 | 2800 | (1000 MT) |
| Rough Production | 3833 | 3833 | 4500 | 4500 | 0 | 4667 | (1000 MT) |
| MILLING RATE (.9999) | 6000 | 6000 | 6000 | 6000 | 0 | 6000 | (1000 MT) |
| TOTAL Imports | 1369 | 1369 | 1800 | 1800 | 0 | 1800 | (1000 MT) |
| Jan-Dec Imports | 1800 | 1800 | 1500 | 1500 | 0 | 1600 | (1000 MT) |
| Jan-Dec Import U.S. | 7 | 7 | 0 | 12 | 0 | 7 | (1000 MT) |
| TOTAL SUPPLY | 4670 | 4670 | 4920 | 4920 | 570 | 5170 | (1000 MT) |
| TOTAL Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Jan-Dec Exports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL Dom. Consumption | 4250 | 4250 | 4350 | 4350 | 0 | 4600 | (1000 MT) |
| Ending Stocks | 420 | 420 | 570 | 570 | 0 | 570 | (1000 MT) |
| TOTAL DISTRIBUTION | 4670 | 4670 | 4920 | 4920 | 0 | 5170 | (1000 MT) |

Production

Nigeria's rice production in MY2006/07 is forecast at 2.8 million tons, up from 2.7 MMT in MY2005/06. The projected increase is based on a combination of improved input supply and favorable weather outlook. Under the Presidential Initiative on Rice, the GON is promoting the adoption of the New Rice for Africa (NERICA) variety developed by the West African Rice Development Institute in Ivory Coast. The variety is resistant to the African Rice Gall Midge disease and it is high yielding. A key element of the initiative is the GON's subsidy on basic farm inputs, especially improved rice varieties.

Consumption

Nigeria is a growth market for parboiled rice. Despite efforts by the GON to achieve in self-sufficiency in rice production, import demand continues to increase. Rice is a regular item in the Nigeria diet, largely because of the convenience and the variety of ways it can be prepared. Consumers view rice as a relatively low-cost food alternative to traditional foods, such as yams and cassava. This situation is not likely to change this year despite the higher levy on rice due to markedly higher prices for substitutes such as cassava and yam.

Trade

Post forecasts Nigeria's rice imports in MY2006 at 1.6 million tons, up from the revised MY2005 estimate of 1.5 million tons. The projected increase is due to limited supply of locally produced rice and other alternatives such as yams and beans. Although the local press continues to report

that the GON will ban rice imports in 2006, Post believes that it is unlikely because of the domestic supply shortfall.

In November 2005, the GON announced a new tariff structure in line with the harmonized ECOWAS Common External Tariffs. The tariff on rice was reduced from 110% to 50%. However, the GON introduced an additional "special tariff" of 50% on rice. This brings the effective total tariff to 100%. The GON indicated that additional tariff was imposed to encourage local production of rice.

High duties create the incentive for tariff avoidance and smuggling. For instance, because rice imports to Benin Republic attract only 35 percent duty (about \$200 per ton price advantage over imports through Nigerian ports), Nigerian importers simply land their imports in Benin and then smuggle them into the country. Some importers ship to Cotonou port (Benin) and declare them as transit goods destined to the land-locked countries of Niger and Chad. Transit goods attract only five percent duty in Benin. The rice is subsequently smuggled into Nigeria.

Trade sources estimate that approximately 300,000 tons of rice is smuggled into Nigeria annually. Nigeria is the only market for parboiled rice in the West African sub-region; neighboring countries are markets for regular milled white rice.

Marketing

Currently, U.S. milled parboiled rice can compete for a share of the top niche segment of the Nigerian market. U.S. rice exporters are encouraged to collaborate with leading Nigerian importers to boost sales of their products. Promotional activities should target the growing middle to high-income consumers. These segments of the market are willing and able to pay for premium quality U.S. rice. Given appropriate marketing support, this market segment can increase commercial import purchases from the U.S. to 100,000 tons annually, up from 12,000 tons in MY2004/05.

At present, only two Nigerian rice importers have licenses to import brown rice at a reduced duty rate of 20 percent. Three other applications are pending. Under the terms of the license, the companies are allowed to import 100,000 tons of brown rice each over a period of one year. The licenses are renewable. Under Nigeria's current investment code, investors may be granted special concession to import brown/paddy rice as a "raw material" at a reduced duty. The GON favors local value addition to imports of milled rice. All imports of brown rice are from Southeast Asia but importers have indicated interest in looking to the United States to secure their supplies.

CORN

| Nigeria Corn | | | | | | | |
|------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|-----------|
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate New] | USDA Official [Old] | Post Estimate New] | USDA Official [Old] | Post Estimate New] | |
| Market Year Begin | | 10/2004 | | 10/2005 | | 10/2006 | MM/YYYY |
| Area Harvested | 3700 | 3700 | 4000 | 4000 | 0 | 4200 | (1000 HA) |
| Beginning Stocks | 119 | 119 | 139 | 139 | 139 | 139 | (1000 MT) |
| Production | 6500 | 6500 | 7000 | 7000 | 0 | 7350 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 20 | 20 | 0 | 0 | 0 | 0 | (1000 MT) |
| Oct-Sep Imports | 20 | 20 | 0 | 0 | 0 | 0 | (1000 MT) |
| Oct-Sep Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 6639 | 6639 | 7139 | 7139 | 139 | 7489 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 200 | 200 | 200 | 200 | 0 | 100 | (1000 MT) |
| Oct-Sep Exports | 200 | 200 | 200 | 200 | 0 | 100 | (1000 MT) |
| Feed Dom. Consumption | 650 | 650 | 800 | 800 | 0 | 810 | (1000 MT) |
| TOTAL Dom. Consumption | 6300 | 6300 | 6800 | 6800 | 0 | 7250 | (1000 MT) |
| Ending Stocks | 139 | 139 | 139 | 139 | 0 | 139 | (1000 MT) |
| TOTAL DISTRIBUTION | 6639 | 6639 | 7139 | 7139 | 0 | 7489 | (1000 MT) |

Production

Post forecasts Nigeria's corn production in 2006/07 at 7.35 million tons, up from the revised 7.0 million tons in MY2005/06. The early arrival of rain in the grain belt will encourage growth in output. However, only a modest increase in yield is expected because of the high cost of fertilizer products. Planting is expected to commence in May 2005. Major corn producing states in the country are Kaduna, Plateau, Kwara and Benue states.

Consumption

The bulk of Nigeria's corn crop is directed for human consumption. Brewery demand for corn grits is growing in step with growth in the sector. Feed utilization of corn is also increasing, thanks to the rapid growth in the poultry sector witnessed in recent years. Approximately 95 percent of all feed produced in Nigeria is poultry feed. Total corn usage for feed production in Nigeria is forecast at 810,000 tons, up from revised estimate of 800,000 tons in MY2005/06. Although the industry would like its poultry feed to consist of nearly 60 percent corn, the high price of corn is making producers to reformulate animal feed rations in favor of other grains such as wheat.

At present, corn is sold for 46,000 naira (\$355) per ton, down from 60,000 naira (\$460) per ton a year ago. The reduction in price is due to a combination of increased output in 2005, availability in the market of cheaper feed grade wheat and the reduction in demand due to the recent outbreak and spread of bird flu in the country. Imported wheat is currently being offered in Lagos at 32,000 naira (about \$250) per ton.

Trade

In 2005, the GON formally banned corn imports, ostensibly to support growers. In real terms, however, the ban on corn largely serves the interest of middlemen, not farmers. The middlemen buy corn from resource-poor farmers during harvest when prices are low and speculate for high returns during the off-season. Official trade figures are not available. Informal cross-border exports to Niger, Chad and Sudan are forecast to decrease to 100,000 tons, down from 200,000 tons in 2005/06. The lower forecast is due to considerable improvement of drought conditions in these countries.

SORGHUM

| Nigeria Sorghum | | | | | | | |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
| | 2004 | Revised | 2005 | Estimate | 2006 | Forecast | UOM |
| | USDA Official [Old] | Post Estimate[N ew] | USDA Official [Old] | Post Estimate[N ew] | USDA Official [Old] | Post Estimate[N ew] | |
| Market Year Begin | | 10/2004 | | 10/2005 | | 10/2006 | MM/YYYY |
| Area Harvested | 7200 | 7200 | 7400 | 7400 | 0 | 7400 | (1000 HA) |
| Beginning Stocks | 200 | 200 | 200 | 200 | 200 | 200 | (1000 MT) |
| Production | 10000 | 10000 | 10500 | 10500 | 0 | 10600 | (1000 MT) |
| TOTAL Mkt. Yr. Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Oct-Sep Imports | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| Oct-Sep Import U.S. | 0 | 0 | 0 | 0 | 0 | 0 | (1000 MT) |
| TOTAL SUPPLY | 10200 | 10200 | 10700 | 10700 | 200 | 10800 | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 50 | 50 | 50 | 50 | 0 | 50 | (1000 MT) |
| Oct-Sep Exports | 50 | 50 | 50 | 50 | 0 | 50 | (1000 MT) |
| Feed Dom. Consumption | 150 | 150 | 150 | 155 | 0 | 160 | (1000 MT) |
| TOTAL Dom. Consumption | 9950 | 9950 | 10450 | 10450 | 0 | 10550 | (1000 MT) |
| Ending Stocks | 200 | 200 | 200 | 200 | 0 | 200 | (1000 MT) |
| TOTAL DISTRIBUTION | 10200 | 10200 | 10700 | 10700 | 0 | 10800 | (1000 MT) |

Production

Sorghum production in 2006/07 is forecast at 10.6 million tons, up from the revised 10.5 million tons in 2005/06. The projected increase in output is largely based on anticipated improvement in crop yield, thanks to the growing acceptance by farmers of improved varieties developed by local research institutes. Sorghum is Nigeria's most widely cultivated grain, accounting for more than 45 percent of total planted area. Sorghum cultivation spans the North to the Middle-belt zones of the country where precipitation and soil moisture levels are low. The early maturing varieties are very suitable to the semi-arid conditions in the extreme northern parts of Nigeria with very short rainy season. Sorghum production is attractive to farmers because of favorable market prices and its relatively low fertilizer usage requirements.

Consumption

Sorghum enjoys a large and growing domestic demand because of its extensive use as food in virtually all parts of northern Nigeria. Sorghum also is used extensively in brewing homemade local beer. Industrial demand for sorghum by beer and food manufacturers is increasing, in step with growth in these sectors. Some brewing factories in Nigeria produce beer exclusively from corn and sorghum. The use of sorghum in animal feed is also trending upwards because of tight corn supplies.

Trade

In January 2005, the GON banned sorghum imports to protect domestic farmers. Nigeria is nearly self-sufficient in sorghum. There are no official statistics on exports. Local sources report that about 50,000 tons is exported in undocumented, cross-border trade with Niger and Chad annually.